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## Hong Kong

## EXPORTER GUIDE ANNUAL

### Exporter Guide

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**Report Highlights:**

Since the global financial crisis hit last fall, Hong Kong's economy remained strong and became the 4th largest market for U.S. F&B exports. U.S. exports of high value food products to Hong Kong are expected to grow by 15% and top the US\$1.4 billion mark in 2009, the largest growth among all U.S. export markets. Hong Kong's affluent consumers and its annual 30+ million visitors have contributed to the growth of the HRI sector with 11,116 restaurants, which are set to maintain sales receipts at US\$10 billion in 2009. Retail food sales are expected to reach US\$8 billion, an increase of 1.5% over 2008. The demand for U.S. products continues to grow, given the weakened U.S. dollar making U.S. food products more competitive. U.S. food products are well-known for their high quality and Hong Kong consumers are becoming increasingly more health and safety conscious due to food scare. With a relatively stable economy, Hong Kong's per capita GDP is set to remain at

US\$30,000 in 2009, one of the highest in the world. Top prospects for U.S. F&B export to Hong Kong include red meat, fresh fruit, tree nuts, poultry meat, processed fruit, vegetables, wine, craft beer and cheeses. Wine and beer offer special opportunities as the Hong Kong Government eliminated their excise taxes in 2008.

**Post:**

Hong Kong

**Author Defined:**

**SECTION I. MARKET OVERVIEW**

**U.S. Food Exports to Hong Kong**

- In the 1st half of 2009, Hong Kong became the 4th largest export market<sup>[1]</sup> for U.S. high value consumer-oriented food products after Canada, Mexico and Japan. This is an amazing jump from being the 7th largest market in 2008.
- The top prospects for U.S. food exports to Hong Kong include: red meat, fresh fruit, tree nuts, poultry meat, processed fruit, vegetables, wine, craft beer and cheeses.
- With a population of just 7 million, its nominal agricultural and food production leave Hong Kong entirely dependent on food imports.
- U.S. food products are considered to be among the highest in quality, reliable in terms of food safety.

**Hong Kong Food Imports**

- Due to limited land resources and rapid urbanization, Hong Kong relies on imports for about 95% of its food supply. Local production contributes only 3% of fresh vegetables, 46% of live poultry, and 7% of live pigs<sup>[2]</sup>.
- Due to its central location, free port status and position as a regional purchasing hub and distribution center, 30% of Hong Kong F&B imports from the world are re-exported. Of which, half are re-exported to Mainland China.

**Hong Kong's Imports (2007-2009\*) of Consumer Oriented Agricultural Products (COAP)<sup>[3]</sup> & Seafood**

<b>Supplier</b>	<b>(US\$ Million)</b>	<b>Jan-Dec 2007</b>	<b>Jan-Dec 2008</b>	<b>Jan-Dec 2009*</b>	<b>Share in 2009*</b>	<b>Growth 09* v 08</b>	<b>Re-exports as % of Gross Imports</b>
World	Gross Imports	9,146	11,594	12,548			
	Re-exports	2,436	3,411	3,714			
	Retained Imports	6,710	8,184	8,834	100%	8%	30%
China	Gross Imports	2,007	2,215	2,434			
	Re-exports	309	356	316			
	Retained Imports	1,698	1,859	2,118	24%	14%	14%
United States	Gross Imports	1,052	1,627	1,907			
	Re-exports	328	610	711			
	Retained Imports	724	1,017	1,196	14%	18%	37%
Brazil	Gross Imports	992	1,443	1,578			
	Re-exports	491	630	707			
	Retained Imports	502	813	871	10%	7%	45%
Australia	Gross Imports	552	635	708			
	Re-exports	59	60	90			
	Retained Imports	493	575	618	7%	8%	13%
Japan	Gross Imports	575	608	695			
	Re-exports	36	41	44			
	Retained Imports	538	567	651	7%	15%	6%
Thailand	Gross Imports	410	486	590			
	Re-exports	226	267	334			
	Retained Imports	184	219	256	3%	17%	57%
France	Gross Imports	251	385	424			
	Re-exports	88	111	134			
	Retained Imports	164	275	290	3%	6%	32%
Canada	Gross Imports	219	344	281			
	Re-exports	43	133	98			
	Retained Imports	176	211	183	2%	-13%	35%
Netherlands	Gross Imports	212	307	288			
	Re-exports	60	100	81			
	Retained Imports	151	207	207	2%	0%	28%
Chile	Gross Imports	138	191	257			
	Re-exports	53	80	167			
	Retained Imports	85	110	90	1%	-19%	65%
Total from Top 10 Suppliers	Gross Imports	6,409	8,240	9,162			
	Re-exports	1,693	2,387	2,682			
	Retained Imports	4,716	5,852	6,480	73%	11%	29%
Total from Rest of World	Gross Imports	2,737	3,355	3,386			
	Re-exports	742	1,023	1,032			
	Retained Imports	1,995	2,332	2,354	27%	1%	30%

(Source: Calculations based on World Trade Atlas data)

(\* Estimated figures for 2009)

<sup>[1]</sup> Based on Jan-August 2009 figures, BICO trade statistics, FAS website

<sup>[2]</sup> Source: Agricultural Fisheries and Conservation Department of the Hong Kong Government

<sup>[3]</sup> Consumer Oriented Agricultural Products (COAP) refers to agricultural products that require little or no additional processing and are generally ready for final consumption at either the food retail or food service level. Examples of COAP are: red meat, poultry meat, snacks, breakfast cereals, pancake mix, fruits and vegetables, fruit and vegetable juices, tree nuts, wine, beer, cut flowers and pet foods. Source of data: Hong Kong Census & Stat. Dept.

- Hong Kong's F&B sector demands high quality fish and seafood products. Growing concerns over the safety of Chinese fish and seafood being fished from polluted sources, increase opportunities for high quality fish and seafood from the United States.
- Hong Kong's F&B imports have not been seriously affected by the global financial crisis. Overall, Hong Kong's retained imports of COAP and seafood products from the world are expected to grow by 8% in 2009. The U.S. is Hong Kong's second largest supplier of COAP and Seafood products following China. Retained imports of products from China and the US in 2009 are forecasted at US\$2.1 billion and US\$1.2 billion respectively, representing market shares of 24% and 14%.
- Hong Kong's gateway to China and Macau have opened up greater opportunities for U.S. high value food product exports. In 2009, Hong Kong is expected to import over US\$1.9 billion in U.S. COAP and seafood products, compared to US\$12.5 billion from the world.

## Economy

- Hong Kong benefited from the strong economic growth in China and therefore was only slightly affected by the financial tsunami. The following figures illustrate the growth of Hong Kong's economy and the purchasing power of its consumers:

	2007	2008	Growth 08 vs 07	2009*	Growth 09 vs 08
GDP	US\$202 billion	US\$215 billion	+6.3%	US\$210 billion*	-2.5%*
GDP per capita	US\$29,205	US\$30,840	+5.5%	US\$30,000*	-2.7%*

(\* Estimate based on government forecast, analysis of the economy and market trends)

## Summary of the Key Strengths and Challenges for the Hong Kong Market

Strengths	Weaknesses
The Hong Kong market is one of the top markets in the world for food and beverages, processed, fresh and frozen gourmet products. U.S. exports of high value food products to Hong Kong reached US\$877 million for the first 8 months of 2009, making it the 4th	U.S. food products are not always price competitive. China is the largest competitor of U.S. food products.

largest market for the U.S. and the fastest growing major market in the world in 2009.	
Hong Kong is a major trading hub where buyers make purchasing decisions for hundreds of millions of dollars of consumer oriented products that are transshipped to China and S.E. Asia.	Lengthy transportation time associated to importing U.S. food products to Hong Kong can make them less competitive than products available in the region or from China, Australia New Zealand. Their proximity avails for quicker delivery of product (processed and fresh).
U.S. food products enjoy an excellent reputation among Hong Kong consumers, as they are renowned for high quality and food safety standards, as well as healthy and nutritious.	The importance of Hong Kong as a transshipment point and buying center for China and elsewhere is not widely known to U.S. exporters.
The U.S. is the 2 <sup>nd</sup> largest food supplier to Hong Kong next to China.	Hong Kong labeling and residue standards differ in some cases, which can impede trade.
Technical barriers to imports of U.S. products are generally very low.	Numerous HK food regulations are not in line with Codex, which can complicate import clearances.
There is a wide variety of U.S. products available to Hong Kong consumers (over 30,000 different items). The link between the Hong Kong Dollar (HKD) to the U.S. Dollar help insulate the HKD from currency fluctuations.	While Hong Kong has the 2 <sup>nd</sup> largest container terminal in the world, it has the most expensive port handling charges.
Most trans-shipments to Macau are purchased, consolidate and shipped via Hong Kong.	Hong Kong's top supermarkets are a duopoly that often request slotting fees.
In general, HKG in its implementation and application of regulations is transparent and open.	
Hong Kong exporters choose to work with Hong Kong importers and distributors to get their products to China because of Hong Kong's dependable legal system, contracts and rule of law.	
Hong Kong concerns over food safety have made U.S. food products as a top choice for quality and safety	
Hong Kong's modern and efficient port terminal and free port status make it	

an attractive destination and for re-exports.	
Hong Kong is a "quality" driven market so price is not always the most important factor for food and beverage purchases.	
Hong Kong is a dynamic market with a sophisticated international community where new high quality products are readily accepted.	
Despite the financial crisis, Hong Kong is entirely dependent on imports for meeting its food needs. Thus, food consumption and demands are expected to remain stable during the global economic crisis.	
Products containing biotech ingredients are not controversial in Hong Kong in general.	
Lack of local production means virtually no protectionist pressures for food and agricultural products.	
Hong Kong has a very strong economy and is in an economically vibrant region.	
Hong Kong's duopolistic supermarkets have a wide distribution network. Cold chain and distribution channels for food products are generally efficient and dependable, as is the customs clearance process.	

## **SECTION II. EXPORTER BUSINESS TIPS**

### **Importer Lists**

ATO provides Hong Kong importer lists to U.S. exporters and assists to arrange meeting appointments, provided adequate lead-time is given. Please contact the ATO via [Atohongkong@fas.usda.gov](mailto:Atohongkong@fas.usda.gov) for further information and other business tips.

### **Language**

The official written languages in Hong Kong are Chinese and English. The official spoken

languages are Cantonese (the prominent Chinese dialect in Hong Kong and South China) and English. In general, all correspondence can be in English.

### **Travel Visa**

Even though Hong Kong is now part of China, there is still a border boundary between Hong Kong and China. If you are traveling with a U.S. passport, you do not need a travel visa for Hong Kong. However, if you are planning to go to Mainland China, you need to apply for a travel visa into China.

### **Legal System**

Hong Kong's legal system is firmly based on the rule of law and the independence of the judiciary. Hong Kong's legal system is separate from Mainland China. Also, Hong Kong is a separate customs territory from China.

### **Payment**

Hong Kong importers are willing to pay by letter of credit in the beginning. When a trading relationship has been established, many of them prefer to pay by open accounts so as to cut transaction costs.

### **General Consumer Tastes and Preferences**

- There is a growing popularity of frozen foodstuffs because more and more consumers believe that frozen foods are more hygienic. However, Hong Kong consumers in general still prefer fresh foodstuffs, particularly fish and poultry meat.
- Due to the increasing prevalence of dual income families, ready-to-cook food has become more popular. The major supermarket chains in Hong Kong have been putting more emphasis on convenience foods, especially in their pre-prepared sections that are virtually serving ready-to-eat foods.
- There is most potential for growth in the processed/convenience sectors of Hong Kong's retail food markets for U.S. high value consumer foods such as general grocery items, ingredients for home meal replacement, and health food.
- Hong Kong consumers have become more aware of food safety issues and nutrition values of food products. Clear indications of nutritional value on the package have been a good marketing strategy for health foods.
- The sales of organic products have been increasing steadily. A representative of one of

the largest supermarket chains revealed that there were only 200 organic items for sale five years ago compared to over 2000 items currently. The price discrepancy between conventional and organic foods has also narrowed over the years. Currently, organic products are priced between 20-40% higher. The most popular organic products are baby foods, vegetables, fruits, eggs, fresh meats, and fruit juices.

- Health foods continue to grow in popularity in Hong Kong because of consumers' desire to enhance general health. The latest trend in health foods now is "low Glycemic Index" and "Antioxidants".
- Foods categorized as natural and having benefits to health are also appealing to Hong Kong consumers. For example, nut suppliers promote nuts as healthy snacks good for the heart, and many cereals are marketed as an effective means of controlling cholesterol.
- Consumption of wine is growing in popularity in Hong Kong. Hong Kong's wine imports for the first 8 months in 2009 reached US\$302 million and 22.3 million liters, an increase of 43% in value and 35% in quantity compared with the same period in 2008. In February 2008, the HKG eliminated its import duty on wine and stimulated a surge in volumes and quantity of wines imports into Hong Kong. For more information on the wine market in Hong Kong, please refer to GAIN Report #HK9013.
- Demand for promotion package and discounts. Consumers are very price sensitive. Marketing tactics such as selling bundled economy packs or enclosing complimentary samples are usually used to stimulate sales. The most direct and effective marketing tool is to offer discounts.
- Because of the limited living space in Hong Kong, it is inconvenient for Hong Kong consumers to store food products. Therefore, bulk-pack food products do not sell well in Hong Kong, and small package food products are preferred.

## **Import Regulations**

### **• Import Duties & Import Certificates**

With the exception of spirits, all food and beverage products can be imported to Hong Kong duty free. Technical requirements for imports vary significantly according to the product. Products which require import permits/health certificates include meat, milk and frozen confections. (The HKG plans to implement an egg imports health certification requirement). Currently, the HKG accepts import applications from Hong Kong importers. In other words, local importers and not U.S. exporters are required to apply for import permits. U.S. exporters need to supply their agents/importers with necessary documentation such as



health certificates from the U.S. government. For details on Hong Kong's general import regulations for food products, please refer to GAIN Report #9018.

- **New Nutritional Labeling Law**

Hong Kong's Legislative Council on May 28, 2008 passed a nutrition labeling regulation, which will take effect July 1, 2010. Hong Kong's nutrition labeling regulation requires all prepackaged food sold in Hong Kong have to label energy plus seven nutrients namely, protein, carbohydrate, fat, saturated fat, trans fat, sodium and sugars. Products selling less than 30,000 units a year can apply for small volume exemption provided that the products do not carry any nutritional claims. Traders applying for exemption have to pay HK\$345 (US\$44) per product variety for the first year and HK\$335 (US\$43) for annual renewal.

Hong Kong's nutrition labeling regulation is unique; as all imported foods making nutrition claims from all sources will have to be re-labeled for the Hong Kong market. Despite the U.S. requiring the labeling of 15 energy/nutrients, U.S. products still cannot meet the Hong Kong nutrition labeling requirements due to different nutrient definitions, rounding practices, and recommendations for daily consumption. Virtually all U.S. products carrying claims will require labeling changes and/or nutrient testing.

Sources indicated that major retailers have notified their suppliers that they would only accept products with nutrition labels complying with Hong Kong's new regulation after January 1, 2010, six months earlier than HKG's enforcement date.

Details of the regulation are contained in the Technical Guidance Notes on Nutrition Labeling and Nutrition Claims, which are available at:

[http://www.cfs.gov.hk/english/food\\_leg/food\\_leg\\_nl\\_guidance.html](http://www.cfs.gov.hk/english/food_leg/food_leg_nl_guidance.html).

Further supplementary information will be provided in the form of FAQ on the Hong Kong government's Center for Food Safety website:

<http://www.cfs.gov.hk/eindex.html>

For more information on the impact of Hong Kong's nutrition labeling regulation, please see reports HK#7011 & HK#8017.

- **Preservatives Regulations**

Hong Kong amended its Preservatives Regulation, which became effective July 1, 2008. Compared to the original regulation, in which one preservative (propyl para-hydroxybenzoate) is no longer allowed for use, and eleven additional preservatives permitted in the new standard, as listed below:

Guaiac resin  
Isopropyl citrates  
Stannous chloride  
Tertiary butylhydroquinone (TBHQ)  
Thiodipropionic acid  
Dimethyl dicarbonate  
Ferrous gluconate  
Formic acid  
Hexamethylene tetramine  
Lysozyme  
Pimaricin

Another change brought about by the regulation amendment is the adoption of a food category system based on Codex's GSFA (Codex General Standard for Food Additives) and the incorporation of those preservatives and antioxidants, as well as their permitted levels of use, in GSFA.

To help trade better understand the amended regulation, the HKG issued a "User Guideline", which provides the definition of each food category of the newly adopted food category system. Also, the Guidelines include some questions and answers pertaining to the amended regulations. The full Guidelines are available at the following website:

[http://www.cfs.gov.hk/english/whatsnew/whatsnew\\_fstr/files/User\\_Guideline\\_e.pdf](http://www.cfs.gov.hk/english/whatsnew/whatsnew_fstr/files/User_Guideline_e.pdf)

Hong Kong's Preservatives Regulation adopts the principle of a positive list. In other words, Hong Kong does not allow any preservatives or antioxidants in foods if they are not expressly permitted by the Preservatives Regulation. The list of permitted preservatives and their maximum permitted levels may be retrieved from the following website:

<http://www.legco.gov.hk/yr07-08/english/subleg/negative/ln085-08-e.pdf>

More information on the amended Preservatives Regulation, please see gain reports HK#7018 and HK#8021.

## ● **Biotech Food Related Regulations**

The HKG does not have any specific biotechnology regulations with regard to the labeling of biotech food products. The HKG makes no distinction between conventional and biotech foods. All are subject to the same food safety regulation.

The HKG, after evaluating the impact of its voluntary labeling scheme for biotech food products over the past year, released its conclusions to the Legislative Council on July 8, 2008, suggesting there is no need for a mandatory labeling law in Hong Kong. The HKG noted

difficulty in carryout a law that currently does not have an international standard to back it up. As a result of its evaluation, the HKG plans to continue to promote voluntary labeling of GMO products as a viable alternative for the trade.

The HKG released a set of guidelines on voluntary labeling for biotech foods in 2006. The guidelines on labeling for biotech foods are advisory in nature and do not have any legal effect. Adoption is entirely voluntary and is not binding. The guidelines apply to prepackaged food. The guidelines are based on the following four principles.

1. The labeling of biotech food will comply with the existing food legislation.
2. The threshold level applied in the guideline for labeling purpose is 5 percent, in respect of individual food ingredient.
3. Additional declaration on the food label is recommended when significant modifications of the food, e.g. composition, nutrition value, level of anti-nutritional factors, natural toxicant, presence of allergen, intended use, introduction of an animal gene, etc, have taken place.
4. Negative labeling is not recommended.

As the guideline is voluntary, U.S. food exports should not be affected if they choose not to have any biotech labeling. However, it should be noted that the HKG does not encourage negative labeling particularly for the use of the following terms:

1. GMO free
2. Free from GM ingredients, etc

For products with such definite negative labeling, the HKG may take the initiative to test the products against GM ingredients and zero tolerance will be adopted for testing purposes. If products are found to have misleading labeling, a retailer may be subject to prosecution under Section 61 – False Labeling and Advertisement of Food or Drugs of Chapter 132 Public Health and Municipal Services Ordinance.

(Available at <http://www.legislation.gov.hk/eng/home.htm>)

If the trade chooses to apply negative labeling, the government advises to use less definite terms such as “sourced from non-GM sources” (which contains less than 5 percent of GM content) and to have documentation to substantiate such declaration.

For more details on the voluntary labeling guidelines and biotechnology in Hong Kong, please refer to Gain Report HK#6026 & HK#9016 respectively.

- **Certification Requirements for Seafood Products**

HKG is in the process of drawing up new certification requirements for all fish and seafood products. Currently, it is not mandatory to provide health certificates for seafood imports to Hong Kong, though U.S. exporters usually provide health certificates (on a state level) for shipments in order to facilitate customs clearance.

### **Section III. Market Sector Structure and Trends**

Among the three major market sectors of Hong Kong: the retail and HRI (hotel, restaurant and institutional) sectors present the best opportunity for U.S. exporters. The food processing sector in Hong Kong is relatively smaller and presents less opportunity for market development.

#### **Food Retail**

- Total retail sales of food and drinks in Hong Kong for 2009 are expected to reach US\$8 billion, representing a growth of around 1.5% compared to 2008.
- Despite a highly centralized supermarket retail network, with two supermarket chains accounting for about 80% of the supermarket turnover, the total number of retail establishments stands at approximately 14,842. These retail establishments include (1) 72 supermarkets and convenience store establishments (the number of supermarkets and convenience stores is about 1,384 if branch outlets are included) and (2) 13,458 wet market stalls and “mom and pop” shop operators. Retail shops in Hong Kong generally are very small in size, about 98% of which hire less than 10 employees<sup>[4]</sup>.
- Traditionally, Hong Kong consumers shop for food daily because of a preference for fresh food. Much of the shopping is still done in traditional markets including wet markets and mom-and-pop shops. While both wet market and supermarket sales are increasing, supermarkets are taking a greater share of total sales. The supermarket’s share in terms of retail sales rose from 44% of total sales in 1995 to 53% in 2006.
- Although there will not be significant growth of the number of supermarkets<sup>[5]</sup>, retail sales share of supermarket is expected to continue to expand in the future at the expense of that of traditional markets. Many supermarkets in Hong Kong now have successfully tapped the fresh food market by offering fresh foods at very competitive prices and providing a comfortable shopping environment, which is very different from traditional wet market
- In short, wet markets are strong in fresh foods, while supermarkets are strong in processed, chilled and frozen, high added value, and canned food products. The

competition between wet markets and supermarkets has intensified in recent years. Some wet markets have turned air-conditioned and provide free shuttle to nearby residential areas.

<sup>[4]</sup> Based on latest available statistics (2005) from the Hong Kong Census and Statistics Department and GAIN Report HK6028

<sup>[5]</sup> Statistics on the number of supermarkets between 2001-2005, Hong Kong Census and Statistics Department

## Supermarkets

### Profiles of Leading Supermarket Chains in Hong Kong

Name of Retailer	Ownership	Food Sales	No. of Outlets	Type of Purchasing agent
Wellcome	Hong Kong	over US\$1 billion	246, 20 which are superstores <sup>[6]</sup>	Importers/Agents Exporters Consolidators
ParknShop	Hong Kong	over US\$1 billion	230, 50 of which are superstores <sup>[7]</sup>	Importers/Agents Exporters Consolidators
China Resources Supermarket	China	not available	99, 5 of which are superstores	Importers/Agents Exporters
Dah Chong Hong	Hong Kong	not available	50	Importers/Agents Exporters
Jusco Stores (HK) Ltd.	Japan	About US\$247 million	6 within department stores and 3 separate stores <sup>[8]</sup>	Importers/Agents
CitySuper	Hong Kong	not available	4 and 1 other called Log-on selling snacks only; 1 convenience store called Pit-in	Importers/Agents Consolidators
Oliver Delicatessen	Hong Kong	Not available	1	Importers/Agents Consolidators
Uny	Japan	Not available	1	Importers/Agents
Sogo	Japan	Not available	2	Importers/Agents

<sup>[6]</sup> Website of the Dairy Farm Group

<sup>[7]</sup> Website of the Cheung Kong Group and Hutchison Whampoa Group

<sup>[8]</sup> Annual Report of AEON (HK) Stores Company Ltd.

- There are two dominant supermarket chains in Hong Kong: The Wellcome Co. Ltd. (246

outlets with 20 superstores) and ParknShop (over 230 with 50 superstores). ParknShop and Wellcome account for about 80% of all supermarket turnovers in Hong Kong. Both supermarkets are able to work closely with real estate developers to open stores in strategic locations, thus maintaining their significant market share. The other players include: China Resources Supermarket (CRC), Dah Chong Hong, Jusco and City Super.

- In the past decade, a “superstore” concept has emerged in the operation of supermarkets, blending the Western supermarket style with a traditional Hong Kong wet market. Superstores offer traditional Chinese fresh food like live fish, meats, ready-to-eat foods and market-style fruit and vegetables as well as the most extensive range of international products.
- ParknShop opened its first superstore in 1996 with a floor area of 45,000 sq. ft. Presently, its largest supermarket in Hong Kong has a floor area of 72,000 sq. ft. giving customers a modern one-stop shopping solution. The store sells over 20,000 product categories ranging from snacks to electrical household appliances. The ParknShop supermarket chain carries two of its own-label product lines, namely PARKnSHOP and Best Buy, first introduced in 1995. ParknShop is also associated with three other supermarkets by the name of Great, Taste, and Gourmet. These three high-end supermarkets cater mostly to the expatriates and more affluent clientele. They are ideal outlets for innovative, quality and priced international food products. These stores also carry a wide selection of organic products. Great adopts a stylish international food hall concept and its flagship store offers over 46,000 gourmet items. The first 35,000 square feet TASTE food galleria was opened in November 2004, and features more than 25,000 quality food items sourced from around the world. Gourmet, opened in 2005, occupied 15,000-square-foot store offering a selection of over 20,000 products carried across 30 merchandise categories of quality and premium foods.
- Dairy Farm, which owns another major supermarket chain – Wellcome, has opened an upscale supermarket in Hong Kong’s central commercial area catering to the more affluent clientele. The new store called “Three Sixty” was opened in November 2006. With a floor area of 23,000 square feet, it is Hong Kong’s largest retail outlet for organic and natural products. About 6,000 items or 70% of the items in the store will be organic or natural products. The store includes an organic sector for baby products. “Health” and “natural” are the key concepts of this store. The second “Three Sixty” was opened in October 2007.
- China Resources focuses on local customers. While carrying a variety of products from different countries, a major portion of them comes from China.
- Dah Chong Hong’s outlets are generally located near wet markets. While being an

importer of a variety of products, its retail outlets focus on frozen meat and seafood products. Dah Chong Hong is a major food importer too.

- CitySuper and Oliver Delicatessen capture an upscale market. Clientele includes mainly well-off middle class and expatriates. Customers are generally receptive to western foods. Both high-end supermarkets require no listing fees.
- Gateway Superstore and PrizeMart are two supermarkets in Hong Kong selling primarily U.S. products. PrizeMart has 11 stores and Gateway has 2 stores. Both supermarkets import directly from US consolidators and do not charge listing fees.
- Jusco, Sogo and Uny are Japanese department stores with a supermarket section. These supermarkets attract many middle-class customers, who are receptive to new products and do not mind to pay for higher prices for higher quality products. These three stores are popular spots for in-store promotions as they are packed with consumers seven days a week. In 2006, Jusco opened 2 separate supermarkets, which were not set up within a department store.
- Hong Kong supermarkets that require listing fees, are fees charged to allow a new product to be put on their shelves. This is a one-off fee for a trial period. The listing fees are extremely negotiable and vary greatly among different supermarket chains. Major supermarket chains, such as Wellcome and ParknShop which have many branch stores, have expensive listing fees. Industry sources revealed that key supermarket chains may charge HK\$1,000 (US\$130) per SKU for each of its store. A 30% discount may be offered to certain suppliers. The discount offered varies tremendously depending on the popularity of the products and the bargaining power of the supplying companies. Agents/importers will not bear this cost as it is normally just transferred to their principals.
- U.S. exporters should be prepared to encounter numerous trading term demands from Hong Kong food retailers, such as promotional discounts (number of discount promotions offered each year); back-end income (flat rebate per year that a U.S. exporter has to pay to the retail chain based on the annual turnover); D.G.A. (Distribution allowance - the fee that the supermarkets charge for distributing the products from its warehouse to its many branch stores); and incentive rebate (a percentage of turnover rebated to the supermarkets in case sales exceed the agreed amount). It can be expected that the bigger the supermarket, the harsher the trading terms. For general reference, about 15% of the annual turnover has to be rebated to the major supermarkets and 8% to small ones. Agents representing very popular items with large turnover usually have a stronger bargaining power and will be able to negotiate for a lower rebate rate.

- In face of strong competition, major supermarket stores often offer discounts and tend to transfer the cost to suppliers by requesting lower prices for supplies. Given supermarkets' strong bargaining power, many suppliers have to give supermarkets special discounts which ordinary retailers do not enjoy.
- There is excellent growth potential in Hong Kong's retail food market for U.S. grocery store items, particularly new and different items, as food retail outlets continue to increase and diversify. Because of established ties and traditional relationships, most of Hong Kong's supermarket chains traditionally looked to Britain, Australia, New Zealand, and Canada for supplies. In recent years, however, buying habits are shifting and many more American items are now available on local grocery store shelves. Supermarkets tend to use consolidators to help them source new products which are popular in the United States.

#### Market Entry Approach

- Through setting up a representative office in Hong Kong: While this is the most effective approach, it is very costly.
- Through U.S. Consolidators: Major supermarkets in Hong Kong work with U.S. consolidators for some of their products. However, the product quantities requested per shipment are usually small, especially when new products are purchased to test the market.
- Using Hong Kong Agents: This is the most popular approach. The advantage of having an agent is that it can help with marketing and distribution. Some companies may secure a very competitive price package with TV/magazine/radio for advertisements. In addition, well-established companies have extensive distribution networks not limited to one or two supermarkets.
- Direct to Supermarkets: For branded products to sell direct to supermarkets, supermarkets usually require exclusive rights in selling the products in Hong Kong through their own outlets only. Otherwise, they will not consider any direct imports. In this case, expensive listing fees may be waived. For non-branded and large turnover products such as fruit, meat, and vegetables, supermarkets tend to buy direct from overseas exporters to cut costs.
- Direct selling to supermarkets is difficult to handle because they demand strict on-time delivery and very often will not be able to take a whole container. Logistics is the largest problem that U.S. exporters have to deal with if they want to sell direct to supermarkets. However, they can better test the market if they deal directly with



retailers.

## **Convenience Stores**

### **Profiles of Leading Convenience Stores in Hong Kong**

<b>Retailer Name</b>	<b>Ownership</b>	<b>No. of Outlets</b>	<b>Locations</b>	<b>Purchasing agent</b>	<b>Year established</b>	<b>Clients' age</b>
7-Eleven	Hong Kong	747	Hong Kong	Importers Agents	1981	15-35
Circle K	Hong Kong	260	Hong Kong	Importers Agents	1985	15-35

- There are around 1,000 convenience stores in Hong Kong. Two major chains dominate the market: 7-Eleven (747 outlets) and Circle K (260 outlets). They are targeting the customer age group of 15-35. Convenience stores are characterized by round-the-clock operation. Since only a limited choice of brand names is available and prices are generally less competitive, most purchases are "convenience" in nature, i.e. goods are normally bought in small quantities for immediate consumption. Good sales items include packaged drinks, beer and snack food. The average size of a convenience store is 1,000 sq. ft. Listing fees are also required for convenience stores.
- 7-Eleven is owned by Dairy Farm, which is also the parent company of the giant supermarket chain of Wellcome. Many of 7-Eleven stores are strategically located in MTR (subway) and KCR (train) stations, popular shopping malls and housing developments throughout Hong Kong.

### **Market Entry Approach**

- Convenience stores largely buy goods from local importers and agents. Therefore, U.S. food exporters have to go through Hong Kong importers to have their products sold in convenience stores.

## **Traditional Markets**

- Traditional markets include wet markets and mom-and-pop shops. They are widespread throughout the territory. Traditional markets used to account for the lion's share of food retail. For example, they occupied around 54% of total retail food sales between 1995

and 1997. Yet supermarkets sales have exceeded traditional markets sales since 1998, and the dominating trend of the former is likely to persist and deepen in the future. Despite the growing significance of supermarkets in terms of food retailing, traditional markets remain as key food retail outlets, particularly for seafood, meat and groceries. Wet markets in Hong Kong have changed gradually over the years. The newly built markets are built and managed by the Hong Kong government with air-conditioning, more hygienic and pleasant environment than the old ones. Some, but not all, stalls in wet markets have freezers and chilling equipment, which is necessary to maintain food quality.

- Mom-and-pop shops around housing estates and schools are ideal retail outlets for drinks and snack foods. Such traditional markets offer small stalls and personal services that many Hong Kong consumers enjoy.
- Yu Kee, a traditional mom-and-pop shop, which started business in 1990, has expanded to 67 stores spreading all over Hong Kong in recent years. The stores have floor area ranging around 1,500 sq. feet each. They sell mainly processed foods and produce. Most of the food supplies in these shops come from China and South East Asia. They also import snack foods and drinks from Europe. However, U.S. foods are not yet on their shelves. The stores feature cheap prices and are after the mass market.

#### Market Entry Approach

- U.S. food exporters must go through local importers or agents that have good distribution networks.

#### **Trends in Promotional/Marketing Strategies and Tactics**

- Supermarkets expanding store size: The supermarket industry is undergoing a face-lift to introduce larger size stores with an objective to provide one-stop shopping and convenience for customers. In addition to traditional grocery and household products, supermarkets are moving towards larger, more modern stores with more fresh food.
- Increasing demand for promotion package and discounts: Hong Kong consumers are very price sensitive. Marketing tactics such as selling larger economy packs or enclosing complimentary samples are usually used to stimulate sales. The most direct and effective marketing tool is to offer discounts.
- Various promotions have varying impact on consumers' purchasing decisions. According to the findings of a survey conducted by the Consumer Council in 2005, nearly 75% of the respondents opted for a "Direct Price-Cut" as the most important factor in

prompting them to buy the goods. This was followed by "Buy One Get One Free" or "Buy Two Get One Free" (55.5%); "Add \$1 for One More" (42.7%); "Add-Volume Pack" (39.8%); and "Free Gift/Coupon" (19.8%), which had the least impact on bargain hunters.

- In face of strong competition, major supermarket stores often offer discounts and tend to transfer the cost to suppliers by requesting lower prices for supplies. Given supermarkets' strong bargaining power as they have many retail outlets, many suppliers have to give supermarkets special discounts which ordinary retailers do not enjoy.
- Consumers becoming increasingly health-conscious and organic products picking up in popularity. There has been a gradual shift in what food consumers want in Hong Kong. The importance of meat, especially red meat, has declined among some consumers, while other food groups, such as fruits and vegetables, are gaining in popularity. Consumers increasingly look for freshness, healthiness, new varieties and shorter meal-preparation time for food. Consumers want foods of higher nutritional value, but also increasingly pay attention to food safety and hygiene. In short, the marketing trend is to position food products as healthy, natural, nutritional, etc.
- Internet direct sales of food: Major supermarkets like ParknShop and Wellcome offer grocery shopping over their website. The service is however not attracting a lot of interest, due to the convenience of shopping in Hong Kong, security concerns over payment via the internet and the cost of delivery.
- However, the at-work population in Hong Kong is becoming a coveted audience among marketers to leverage the internet as a medium of advertising. The at-work online audience is large and growing - out of the total Hong Kong workforce of 3.52 million, about 20 % regularly go online at work. These regular Hong Kong internet users are a demographically attractive group of individuals who have higher than average incomes, educations and tendencies to shop and buy online.
- Growing awareness of U.S. products fit supermarkets' needs to diversify product range: with awareness of the high quality and variety of U.S. food products increasing among supermarkets, there are many opportunities to introduce new U.S. products to the local market. ATO Hong Kong selectively invites key supermarket buyers to the United States on buying missions, which are followed by in-store promotions highlighting U.S. products. Buyers from Hong Kong supermarkets realize the quick-changing consumption temperament of local consumers, and many have expressed the need to source new products to capture changing tastes. With strong support from exporters and state regional trading groups, the ATO continues its efforts to promote U.S.

products and help supermarkets expand their range of U.S. products.

- To promote U.S. food products, the ATO sponsors major trade shows in Hong Kong, such as:

2 <sup>nd</sup> Hong Kong Int'l Wine & Spirits Fair	<a href="http://hkwinefair.hktdc.com">http://hkwinefair.hktdc.com</a>	Nov 4-6, 2009
Vinexpo Asia Pacific 2010	<a href="http://www.vinexpo.com/en/asia-pacific-2010">http://www.vinexpo.com/en/asia-pacific-2010</a>	May 25-27, 2010
Asia Fruit Logistica 2010	<a href="http://www.asiafruitlogistica.com">http://www.asiafruitlogistica.com</a>	Sep 8-10, 2010
3 <sup>rd</sup> Hong Kong Int'l Wine & Spirits Fair	<a href="http://hkwinefair.hktdc.com">http://hkwinefair.hktdc.com</a>	Nov 2010
HOFEX 2011	<a href="http://www.hofex.com">http://www.hofex.com</a>	May 11-14, 2011

- For further information on the Hong Kong food retail sector, please refer to "Retail Food Sector Report 2008" (Gain Report #HK8032).

### **Hotel, Restaurant and Institutional (HRI)**

- Hong Kong restaurants enjoyed a very good year in 2008, as the value of total restaurant receipts was over US\$10 billion and the value of restaurant purchases was US\$3.6 billion, representing an increase of 13 % and 17 % respectively over 2007.
- Due to the strong economic growth in mainland China, Hong Kong has fared through the global financial crisis with nominal affects so far. It is expected that restaurant receipts in 2009 will remain at the level of US\$10 billion<sup>[9]</sup> as in 2008.

<sup>[9]</sup>Estimated figures based on analysis of the economy, market trends and interviews with HRI traders

- As a "Gourmet Paradise", Hong Kong has around 11,116 restaurants serving a wide range Eastern and Western cuisines along with a wide variety of culinary delights. 45% of them are Chinese restaurants, 40% are non-Chinese restaurants and 15% are fast food shops. In addition, there are over 1,000 bars and other eating and drinking establishments<sup>[10]</sup>.
- Chinese restaurants are popular among local citizens and tourists. There are a variety of Chinese restaurants in Hong Kong serving different regional cuisines: Canton, Shanghai, Beijing...etc. A typical lunch at a Chinese restaurant costs around HK\$100-300 per person and a typical dinner costs around HK\$150-400 per person<sup>[11]</sup>.
- Many Hong Kong consumers enjoy western food, as do the 30+ million tourists expected in 2009. Western restaurants are always full of customers of all ages and classes. 5-

Star and other high-end western restaurants are as likely to be dominated by local citizens as visiting business people. Japanese food, fast food chains, coffee and snack and casual dining establishments are also increasing their presence. A typical lunch at a nice western restaurant costs around HK\$100-300 per person and a typical dinner costs around HK\$200-500 per person<sup>[12]</sup>.

- Fast food outlets are popular among Hong Kong consumers. The most popular fast food chains in Hong Kong are McDonald's, KFC and Pizza Hut. There are also some large local fast food chains such as Café De Coral, Maxim's and Fairwood that serve both Chinese and western foods. Competition among fast food chains is intense and keeping the price for a meal at a very low level. The average cost is around HK\$25 for breakfast, HK\$30 for lunch, HK\$20 for afternoon tea and HK\$50 for dinner (US\$1 = HK\$7.8). To further meet competition, many fast food operators have renovated their outlets to make them look more modern, spacious and attractive. To meet the demand of a growing number of health-conscious customers, fast food chains have also introduced more new ingredients and developed healthy-food options such as salads, fruits, and fresh juices.
- The coffee shop market is growing in Hong Kong, especially among younger professionals. In recent years, the trend has been to open upstairs cafes to save on rental costs. They are largely located in commercial areas. Starbucks (95 outlets) and Pacific Coffee (62 outlets) are Hong Kong's two largest coffee shop chains. Virtually all offer high end muffins, pastries, cakes, health bars, prepackaged cold sandwiches, and bottled beverages (juices and water). McDonalds has also vigorously expanded its McCafe in order to gain share in this growing market. Of its 152 outlets, 47 have already included McCafes inside their shops.
- Due to an increasing number of food safety scares, particularly from Mainland China, Hong Kong diners prefer to eat fresh foods rather than processed, chilled, frozen etc. Hong Kong consumers have become increasingly aware of food safety and nutrition. These issues have been used successfully as marketing points for various food commodities and specific products. The growth of "Mix" and other similar juice bars are good examples of specialty restaurants for healthy products. Organic foods are also gaining popularity as evidenced by the growth of specialized retail outlets for organic foods. There is increasing opportunity for U.S. products and ingredients in this sector.

<sup>[10]</sup>Source: Hong Kong Census & Statistics Department

<sup>[11]</sup>Source: menus of selected Chinese restaurants in Hong Kong's Central District and interviews with consumers in July-August 2008 (US\$1=HK\$7.8)

<sup>[12]</sup>Source: Menus of selected western restaurants in Hong Kong's Central District and interviews with consumers in July-August 2008 (US\$1=HK\$7.8)

## Market Entry Approach

- Because of small individual consumption, local hotels, restaurants and most fast food operators usually cannot afford to import directly. The distribution of food and beverages to these operators is generally through import agents. U.S. exporters should contact Hong Kong importers to explore potential business opportunities.

## Trends in Promotional/Marketing Strategies and Tactics

- Participation in trade shows: There are a good number of trade shows that can help promote high quality US F&B products:

2 <sup>nd</sup> Hong Kong Int'l Wine & Spirits Fair	<a href="http://hkwinefair.hktdc.com">http://hkwinefair.hktdc.com</a>	Nov 4-6, 2009
Vinexpo Asia Pacific 2010	<a href="http://www.vinexpo.com/en/asia-pacific-2010">http://www.vinexpo.com/en/asia-pacific-2010</a>	May 25-27, 2010
Asia Fruit Logistica 2010	<a href="http://www.asiafruitlogistica.com">http://www.asiafruitlogistica.com</a>	Sep 8-10, 2010
3 <sup>rd</sup> Hong Kong Int'l Wine & Spirits Fair	<a href="http://hkwinefair.hktdc.com">http://hkwinefair.hktdc.com</a>	Nov 2010
HOFEX 2011	<a href="http://www.hofex.com">http://www.hofex.com</a>	May 11-14, 2011

- The above shows provide showcases for U.S. food ingredients, wine and beverages to Hong Kong's hotel and restaurant trade. In cooperation with cooperators and regional groups, the show will demonstrate the versatility and safety of U.S. food products.
- Menu promotions with major restaurant chains: Menu promotion dollars will be maximized if spent on promotion events held with the major restaurant chains. With the restaurant chains' announced intention to have an image overhaul, this provides for an opportunity to introduce new U.S. foods.
- Inviting restaurant owners/chefs to seminars and/or to the United States: ATO Hong Kong/ cooperators organize seminars and trade missions to the U.S. with an intention to introduce U.S. products, meet U.S. exporters, and experience U.S. store formats.
- For more information on Hong Kong's HRI sector, please refer to Gain Report #9004.

## Food Processing

- The food processing industry in Hong Kong is relatively small compared to food retail and HRI sectors. The total output of the local food processing industry is estimated at US\$1.8 billion. Major local production includes instant noodles, macaroni, spaghetti, biscuits, pastries and cakes for both domestic consumption and export. Other significant sectors include canning, preserving and processing of seafood (such as fish,

shrimp, prawns, and crustaceans); manufacture of dairy products (fresh milk, yogurt and ice cream); seasoning and spirits.

- Based on the trade agreement between Hong Kong and China (called Closer Economic Partnership Arrangement, or CEPA in short), all foods and beverages made in Hong Kong, subject to the CEPA's rules of origin, can enjoy duty-free access to the Chinese mainland. Non-Hong Kong made processed food and beverages products remain subject to tariff rates of up to 35%, and 65% for alcoholic drinks, according to China's 2006 tariff schedule.
- The CEPA zero tariff product list includes aqua – marine products, food and beverages, (certain dairy products such as yogurt and cheese, certain prepared meats, certain sugar confectioneries and cocoa preparations; certain preserved meats and seafood, bread, biscuits and cakes; preserved vegetables and fruits, fruit juices; sauces, water, etc.) and leather and fur products.
- Processed food and beverages items have to comply with the Hong Kong rule of origin in order to be imported to China tariff free. The rule of origin of individual products is basically determined by the manufacturing or processing operation. For example, milk and cream products are considered as "made in Hong Kong" only when the manufacturing processes of mixing, freezing sterilization and cooling are conducted in Hong Kong. The origin criteria for nuts is that the baking, seasoning, and/coating have to be done in Hong Kong. In the case of ginseng, the principal manufacturing processes of cutting and grinding have to be conducted in Hong Kong.
- Ice cream was the only food item being allowed to be exported to China tariff free in 2004 during the first phase of CEPA. However, the food items were greatly expanded in phase II which started in January 2005. It was noticed that Hong Kong's food and agricultural domestic exports to China greatly increased by 31 percent in 2005. No published statistics are available to prove that the surge in domestic exports to China was due to the waiving of tariff. However, there is reason to believe that CEPA II is at work, as seen by the sudden reversion of trade trends.
- China's zero import tariff applications for products made in Hong Kong certainly encourage food production in Hong Kong. The expansion of the local food processing industry will then trigger off a demand for raw materials. Such demand provides export opportunities for U.S. food ingredients suppliers.
- A full zero-tariff product list is available at:  
<http://www.tid.gov.hk/english/cepa/cepa2.html>

## Market Entry Approach

- Food ingredients are sourced both through direct import by food processors and through middleman traders. Hong Kong traders and end-users tend to stay with suppliers with whom they know well and have done business with for some time. While exporters would do well exploring all channels, patience and understanding are required to establish a relationship of trust before trading can commence.

## SECTION IV. BEST CONSUMER ORIENTED PRODUCT PROSPECTS

Notes :

- 1 95% of Hong Kong food supplies are imported. Since Hong Kong's domestic production is nominal the market size in the following table is equal to retained imports without taking into account local production. U.S. exports to Hong Kong are also based on imports minus exports.
- 2 Import tariff rates for all food and beverage products in the tables are zero except for spirits with an alcohol content greater than 30%, which is 100%.
- 3 Products listed below are either enjoying a large market import value or a significant growth rate for the last 5 years (2004-2008).

### Top 10 Prospects in 2009

Product Category	2008 Retained Imports (MT)	2008 Retained Imports (US\$ million)	2004 – 2008 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
<b>Fish &amp; Seafood Products</b>	Volume statistics not available	US\$2.6 billion <b>Expected to reach US\$2.7 billion in 2009</b>	+6.3% (value)	Major suppliers of fish and seafood products are Japan (15%), Australia (12%), China (12%), Indonesia (5%), New Zealand (4%) and the US (5%).	US fish and seafood products are perceived as high quality and safe.  Retained imports of US fish and seafood products have grown by over 28% between 2004 and 2008.



					Many 5-star hotels in Hong Kong are carrying Alaska seafood products such as king salmon, king crab, snow crab, black cod and halibut. It is anticipated that these seafood products will continue to be popular among HRI sector in Hong Kong.
<b>Fresh Fruit</b>	<p>531,671 MT</p> <p><b>Expected to reach 595,000 MT in 2009</b></p>	<p>US\$596 million</p> <p><b>Expected to reach US\$670 million in 2009</b></p>	<p>-1.7% (volume)</p> <p>+4.5% (value)</p>	<p>The Hong Kong fresh fruit market had negative volume growth over the past 5 years because of bad crops in some categories.</p> <p>Hong Kong consumers prefer fresh fruit to frozen fruit. Competition from Thailand and China is keen as these countries supply tropical fresh fruit at competitive prices. The shorter travel time for shipments from these countries to Hong Kong also render their products "fresh" to Hong Kong consumers.</p>	<p>US fresh fruit are well known for their large variety, good quality and tastes.</p> <p>US is the largest supplier (28%) of fresh fruit to Hong Kong, followed by Thailand (23%).</p> <p>The top US fruit exports to Hong Kong are citrus products (US\$99 million), grapes (US\$78 million), apples (US\$40 million), cherries (US\$23 million), plums, sloes &amp; peaches (US\$16 million) and strawberries (US\$11 million).</p> <p>These US products will continue to be popular among Hong Kong consumers.</p>

<b>Poultry Products</b>	321,332 MT	US\$616 million	-6.6% (volume)	<p>Brazil is the leading supplier of poultry for Hong Kong. Brazil moved in as the no. 1 poultry exporter to Hong Kong when U.S. poultry imports were temporarily banned during February 11 to April 30, 2004 due to Avian Influenza cases in the U.S. Though the ban was later lifted, Brazil continues to be the largest supplier due to price advantage of its products and its exporters' relationships with Hong Kong importers. The reduced supplies of live chickens from China to Hong Kong have resulted in increased demand for chilled whole chickens from China as an alternative.</p> <p>Hong Kong's new certification requirements for U.S. chicken feet, which took effect in May 2005, reduced U.S. chicken feet supplies to Hong Kong. By the new standard requirement, U.S. chicken feet are required to have ante mortem and post mortem inspection.</p>	<p>U.S. exported US\$137 million worth of chicken products to Hong Kong, accounting for 12% of the market share.</p> <p>U.S. products are highly regarded in food quality and food safety. More popular U.S. chicken products include chicken wing mid joints and chicken legs because of their sizes and quality. These two products are particularly popularly among Hong Kong style cafes.</p>
	<b>Expected to reach 328,000 MT in 2009</b>	<b>Expected to reach US\$610 million in 2009</b>	+10.6% (value)		
<b>Pork</b>	172,599	US\$462	+2%	China and Brazil are	U.S. exported

	<p>MT</p> <p><b>Expected to reach 172,600 MT in 2009</b></p>	<p>million</p> <p><b>Expected to reach US\$460 million in 2009</b></p>	<p>(volume)</p> <p>+16% (value)</p>	<p>the top suppliers of pork to Hong Kong because their products are very price competitive.</p> <p>There is a big demand for price competitive prepared/preserved meatballs and other products typical in Chinese dishes in Chinese restaurants, which are made from pork. China enjoys the advantage of low processing cost.</p>	<p>US\$102 million worth of pork to Hong Kong, accounting for 16% of the market share.</p> <p>U.S. products are highly regarded for quality and food safety.</p>
<b>Processed Fruit &amp; Vegetables</b>	<p>173,704 MT</p> <p><b>Expected to reach 173,700 MT in 2009</b></p>	<p>US\$249 million</p> <p><b>Expected to reach US\$288 million in 2009</b></p>	<p>+2% (volume)</p> <p>+6% (value)</p>	<p>China is the largest supplier (30%), closely followed by the US (30%).</p> <p>Some international brands have operations in China and their exports to Hong Kong are considered as imports from China.</p>	<p>US processed fruit and vegetables are well known of their superior quality and tastes. US processed fruit and vegetables such as potatoes, nuts, sweet corn, mushrooms, peaches and pineapples will continue to be in large demand in Hong Kong.</p>
<b>Beef, Frozen</b>	<p>72,958 MT</p> <p><b>Expected to reach 80,680 MT in 2009</b></p>	<p>US\$270 million</p> <p><b>Expected to reach US\$308 million in 2009</b></p>	<p>+14% (volume)</p> <p>+28% (value)</p>	<p>Because of BSE cases in the U.S., Hong Kong currently allows boneless beef derived from cattle under 30 months of age from U.S. E.V (Export Verification) approved plants.</p> <p>Bone-in beef and variety beef from the U.S. are not yet allowed in.</p> <p>Currently only 25</p>	<p>U.S. exported US\$38 million worth of beef to Hong Kong in 2008, accounting for 12% of the market share. Although U.S. beef were banned entry in Hong Kong in 2004 and 2005, Hong Kong consumers still have high regards for U.S. beef in terms of quality</p>

				<p>plants have been EV approved and are eligible to export beef products to Hong Kong. Short U.S. beef supplies make U.S. beef very expensive.</p> <p>Brazil beef took the opportunity to gain market shares. Brazil beef imports grew from US\$49 million in 2004 to US\$160 million in 2008.</p>	<p>and safety.</p> <p>More popular U.S. beef products in 2009 include: strip loin, rib eye and tenderloin<sup>[13]</sup>.</p>
<b>Wine</b>	<p>23.4 million liters</p> <p><b>Expected to reach 36 million liters in 2009</b></p>	<p>US\$279 million</p> <p><b>Expected to reach US\$391 million in 2009</b></p>	<p>+15% (volume)</p> <p>+40% (value)</p>	<p>Competition is keen in Hong Kong. Major competitors come from France and Australia. French wine is traditionally more popular in Hong Kong.</p>	<p>U.S. exported US\$19 million of wine to Hong Kong in 2008, accounting for 5% of the market share.</p> <p>The HKG abolished the import tax on wine and beer in February 2008. The HRI sector in Macau is growing, making it an excellent opportunity for U.S. wine traders to expand their exports.</p> <p>Hong Kong consumers are getting more and more receptive to wine drinking practice. The total elimination of the excise tax on wine would probably help nurture wine</p>

					drinking culture in Hong Kong.
<b>Beer</b>	156 million liters  <b>Expected to reach 157 million liters in 2009</b>	US\$89 million  <b>Expected to reach US\$105 million in 2009</b>	+6% (volume)  +6% (value)	China and Korea are major suppliers of beer and their beers have been very price competitive.	Hong Kong abolished the 20% excise tax on beer imports and created opportunity for US beer to gain more market shares in Hong Kong.
<b>Fruit &amp; Vegetable Juices</b>	21,724 MT  <b>Expected to reach 21,535 MT in 2009</b>	US\$31 million  <b>Expected to reach US\$25 million in 2009</b>	+1% (volume)  +9% (value)	The US is still the market leader, exported US\$13 million worth of fresh fruit juices to Hong Kong, accounting for a market share of 41%.	Given the high quality of US fruit & vegetable juices, US fruit and vegetable juices such as orange juices, apple juices, grape juices, grapefruit juices, tomato juices and pineapple juices are expected to continue to be very popular in 2009 <sup>[14]</sup> .
<b>Organic Food and Beverage</b>	Statistics not available  (The size of the Hong Kong organic food and beverage market is estimated at US\$500 million, with an annual growth of 10-15% <sup>[15]</sup> )	Statistics not available	Statistics not available	Organic F&B products are generally 20-40% higher in prices compared to non-organic products.  There are many organic standards in the market and the poor quality of a country's organic products may negatively affect the image of organic products from all supplying countries.	As Hong Kong consumers are becoming more health-conscious, the demand for organic products will continue to grow in 2009.  USDA Organic enjoys an excellent reputation among consumers in Hong Kong. Consumers generally have more confidence on USDA Organic standards than other countries'.

					<p>Grain products, soybeans, cereals, oats, noodles...etc are in good demand.</p> <p>Other products such as organic meat (beef and pork), condiments, poultry, eggs etc are starting to have more interest in the market.</p> <p>There is also a strong demand for organic vegetables and fruits, organic coffee and tea products<sup>[16]</sup>.</p>
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<sup>[13]</sup> Interview with one of the largest local beef importers

<sup>[14]</sup> Analysis of Hong Kong F&B import statistics and discussions with US fruit & vegetable cooperators in Hong Kong

<sup>[15]</sup> In discussions with leading Hong Kong organic food importers and retailers

<sup>[16]</sup> In discussions with leading Hong Kong organic food importers and retailers

## SECTION V. KEY CONTACTS AND FURTHER INFORMATION

### Post Contact

Foreign Agricultural Service (FAS)

Home Page: <http://www.fas.usda.gov>

Agricultural Trade Office

American Consulate General

18th Floor, St. John's Building

33 Garden Road, Hong Kong

Tel: (852) 2841-2350

Fax: (852) 2845-0943

E-Mail: [ATOHongKong@usda.gov](mailto:ATOHongKong@usda.gov)

Internet Homepage: <http://www.usconsulate.org.hk>

<http://www.usfoods-hongkong.net>

Department to implement food safety control policy

Food & Environmental Hygiene Department  
43/F., Queensway Govt Offices  
66 Queensway, Hong Kong  
Tel: 852-2868-0000  
Fax: 852-2834-8467  
Web site: <http://www.fehd.gov.hk>

Department to control the importation of plants & live animals  
Agriculture, Fisheries & Conservation Department  
5-8/F., Cheung Sha Wan Govt Offices  
303, Cheung Sha Wan Rd  
Kowloon, Hong Kong  
Tel: 852-2708-8885  
Fax: 852-2311-3731  
Web site: <http://www.afcd.gov.hk>

Department to issue license for imported reserved commodities  
Trade & Industry Department  
18/F., Trade Department Tower  
700 Nathan Road  
Kowloon, Hong Kong  
Tel: 852-2392-2922  
Fax: 852-2789-2491  
Web site: <http://www.tid.gov.hk>

Department to register health foods containing medicine ingredients  
Department of Health  
Pharmaceuticals Registration  
Import & Export Control Section  
18th Floor, Wu Chung House  
213 Queen's Road East, Wanchai, Hong Kong  
Tel: 852-2961-8754  
Fax: 852-2834-5117  
Web site: <http://www.dh.gov.hk>

Department to issue license for imported dutiable commodities  
Hong Kong Customs & Excise Department  
Office of Dutiable Commodities Administration  
6-9th floors, Harbor Building  
38 Pier Road, Central, Hong Kong  
Tel: 852-2815-7711

Fax: 852-2581-0218

Web site: <http://www.customs.gov.hk>

Department for Trade Mark Registration

Intellectual Property Department

Trade Marks Registry

24th and 25th Floors, Wu Chung House

213 Queen's Road East

Wan Chai, Hong Kong

Tel: 852-2803-5860

Fax: 852-2838-6082

Web site: <http://www.ipd.gov.hk>

Semi-government Organization Providing Travel Information

Hong Kong Tourist Board

9th - 11th floors, Citicorp Center,

18 Whitfield Road, North Point, Hong Kong

Tel: (852) 2807-6543

Fax: (852) 2806-0303

Home Page: [www.hktourismboard.com](http://www.hktourismboard.com)

Semi-government Organization Providing Hong Kong Trade Information

Hong Kong Trade Development Council

38th Floor, Office Tower, Convention Plaza

1 Harbor Road, Wan Chai, Hong Kong

Tel: (852) 2584-4188

Fax: (852) 2824-0249

Home Page: <http://www.tdctrade.com>